

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

November 17, 2003
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton¹, Davidson, Lee, and Noble¹

ABSENT: Councilmember Mosher

1. Executive Session

Mayor Marshall opened the meeting at 6:00 p.m. and announced recess to Executive Session for approximately one hour to discuss three items of potential litigation.

The Study Session resumed at 7:42 p.m. with Mayor Marshall presiding.

2. Study Session

(a) Review of Development Principles – Proposed Expansion of Meydenbauer Center

City Manager Steve Sarkozy opened staff's brief overview of the development principles guiding the proposed expansion of Meydenbauer Center and an update on the Finance Plan.

Planning and Community Development Director Matt Terry recalled Council's decision in 1997 to pursue expansion of Meydenbauer Convention Center if: 1) expansion could be accomplished through the dedicated revenue source, the Transient Occupancy Tax (TOT), also referred to as the hotel/motel tax, and 2) expansion is linked to the development of an adjacent headquarters hotel. At that time, the City secured a land option to purchase the land that would be necessary to support expansion. The Finance Plan has been updated several times since 1997 to assess the feasibility of expansion.

¹ Mr. Creighton and Mr. Noble departed at the conclusion of the Regular Session and before Agenda Item 2(b) of the Study Session.

Mr. Terry explained that the most recent update to the Finance Plan, completed last week, indicates expansion can be supported through TOT collections. The Finance Plan assumes an adjacent 625-room hotel.

Rebecca Chao, Regional Financial Advisors, reviewed the expansion project budget. She recalled the issuance of bonds in 1995 and noted that some of these funds have been used in preliminary planning. The net cost to finance is estimated at \$54.9 million.

Ms. Chao reviewed key finance principles for the expansion project. TOT collections are the primary funding source and two types of debt, deferred interest bonds and serial bonds, are proposed as well. She recommended using serial bonds as much as possible because deferred interest bonds carry a penalty in light of the current low interest rates.

Noting the shortage of time, Mr. Terry emphasized that this is not the only time the issue will be discussed with Council. Staff will bring back the full Finance Plan and all assumptions upon the completion of market testing work.

Mr. Terry briefly reviewed the Expansion Project Development Principles adopted by Council in 1997 [Page SS 2-7 of the Council packet]: 1) expansion should be accomplished using current dedicated revenues (i.e., TOT collections), 2) the City must purchase the land (purchase has been completed), 3) any debt issued for the convention center cannot impair the City's bond rating, 4) reasonable and realistic financial assumptions must be used, 5) the integrity of the back-up finance plan must be maintained, 6) public investment to facilitate hotel development might be appropriate, 7) adequate parking is provided as part of the expansion project, 8) operation of the garage must allow the Center to meet its parking requirements, and 9) competing facilities must complement the Center. Mr. Terry recalled discussions in 1997 to consider the joint financing of a public parking garage with a developer using state Housing Finance Commission revenue.

Mr. Terry said staff will return on December 1 to continue this discussion.

Responding to Mr. Degginger, Mr. Terry said estimated construction costs include design and construction contingencies. He said the estimates recently decreased somewhat due to lower inflation and construction costs.

Dr. Davidson encouraged public involvement in the planning process.

At 7:58 p.m., Mayor Marshall declared recess to the Regular Session, after which Council will resume discussion of the Study Session agenda.

(b) Regional Issues

The meeting reconvened at 9:55 p.m. with Councilmembers Creighton and Noble absent.

Responding to Mr. Sarkozy, Council agreed to reorder the Regional Issues agenda to discuss legislative issues first.

- Deputy Mayor Degginger moved to extend the meeting to 11:00 p.m., and Dr. Davidson seconded the motion.
- The motion to extend the meeting carried by a vote of 4-0.

Diane Carlson, Director of Intergovernmental Relations, referenced Regional Issues packet materials beginning on page 46 and the draft 2004 State Legislative Agenda beginning on page 48. Mike Doubleday, lobbyist/advisor, noted Bellevue's support of EDGE (Economic Development for a Growing Economy) legislation proposed last year that permits local governments to capture state and local tax increments to attract needed economic development in their communities. He said the Speaker of the House does not want the legislation to apply to proposed development along South Lake Union in Seattle. Ms. Carlson said the legislation has gained support since last year.

Ms. Carlson noted a request to move tort reform to a higher priority and proposed listing it after Transportation. Mayor Marshall suggested language requiring mandatory mediation for damage claims. Deputy Mayor Degginger noted that some counties require the consideration of alternate dispute resolution procedures before resorting to a trial.

Councilmember Lee noted his interest in insurance reform, citing condominium insurance and health insurance issues. Mayor Marshall suggested revising the 2004 State Legislative Policy Statement section on Insurance/Tort Reform to provide additional explanation about the City's interests in this area.

Moving on, Ms. Carlson said the purpose of the streamlined sales tax legislation is to allow states to capture Internet sales tax revenue. Bellevue's potential in this area is estimated by some experts at \$1 million annually.

Responding to Deputy Mayor Degginger, Ms. Carlson said a legislative work group studied the proposed stormwater requirements but did not produce any recommendations. The Department of Ecology is expected to issue regulations next year, which will likely be consistent with federal regulations.

Mayor Marshall thanked Ms. Carlson and Mr. Doubleday for their report.

Utilities Director Lloyd Warren explained that a change from a Seattle wholesale water supply contract to an arrangement for the purchase of all water supplies from Cascade Water Alliance is likely to occur as early as January 1, 2004. Seattle City Council is expected to approve the Cascade-Seattle agreement on December 15. If approved, the Cascade Water Alliance Board will take action on the agreement on December 17.

The Cascade-Seattle contract covers a 50-year term and provides a block of water sufficient to supply Cascade's members for approximately 10 years. The water supply begins to decline after the first 20 years. Under the contract, Seattle will not be responsible for Cascade's growth needs. The water supply is purchased on a "take or pay" basis in which Cascade will pay for the full amount of water whether it is used or not. Cascade will be responsible for developing a

conservation program. Bellevue will purchase its water supply from Cascade Water Alliance under a similar “take or pay” arrangement.

Mr. Warren said approval of the agreement will launch Cascade’s Action Plan. Initial water needs will be met through the agreement with Seattle, interim needs will be met through an agreement with the City of Tacoma, and long-term needs (20+ years) will likely be addressed through the purchase of water rights at Lake Tapps. Cascade expects to finalize the Tacoma agreement in the spring of 2004. The Cascade-Seattle and Cascade-Tacoma contracts will provide adequate water supply through 2024.

Mr. Warren described Cascade’s interest in acquiring the Issaquah Pipeline to supply water to the Sammamish Plateau. Ownership and a portion of the pipeline’s capacity have been transferred to Issaquah. However, a portion is still owned by the developer and would need to be purchased by Cascade in order to provide adequate regional supply to Sammamish and Issaquah.

Mr. Warren said a number of capital improvements will be necessary to carry out Cascade’s Action Plan. Cascade will have the authority to issue debt upon completion of a plan identifying specific projects, which could take two years to complete. Interim financing is requested from Cascade members, and Bellevue has been asked to consider borrowing funds on behalf of Cascade.

Mr. Warren reviewed upcoming Council actions related to Cascade Water Alliance:

- Bellevue City Council will be asked to support the Cascade-Seattle contract, if approved by Seattle.
- Bellevue will be asked to sign documents relinquishing its existing contract with Seattle.
- Existing agreements with Issaquah, Redmond, and Kirkland would need to be modified to reflect the new arrangement with Cascade.
- A “wheeling” agreement would be established for Cascade to reimburse Bellevue for water to be delivered to Redmond.
- Bellevue City Council will be asked to consider donating its portion of the Issaquah Pipeline to Cascade.
- Bellevue is asked to consider issuing debt related to the Cascade-Bellevue agreement.

Deputy Mayor Degginger commended Cascade’s efforts to establish these agreements and develop additional water supply. He thanked staff for their hard work over the past few years.

Mr. Lee expressed support for the proposal, which he noted will have long-term significance. He encouraged Council to ensure that other major financial commitments are considered along with the Cascade-related agreements.

Dr. Davidson praised Cascade Water Alliance for its work and regional efforts to identify viable options for the future.

Mayor Marshall requested: 1) detailed information regarding Bellevue’s total projected costs associated with obtaining water through Cascade Water Alliance, 2) the costs and benefits of

continuing to get water through Seattle versus through Cascade, and 3) a time line of upcoming Council decisions.

Mr. Warren said Council will be asked to take action on December 1 regarding the proposal to relinquish the City's current contract with Seattle in order to obtain water through Cascade.

Mayor Marshall asked staff to provide briefings to Councilmembers absent tonight as well as to new Councilmembers joining the Council in January.

At 10:45 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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